

Message Text

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ACTION EA-10

INFO OCT-01 ISO-00 INT-05 AGR-10 SP-02 AID-05 EB-07 NSC-05

CIEP-02 TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00

COME-00 FRB-01 INR-07 NSAE-00 XMB-04 OPIC-06 LAB-04

SIL-01 L-02 H-02 PA-02 PRS-01 USIA-15 /113 W

----- 127941

R 012315Z MAY 75

FM AMCONSUL PORT MORESBY

TO SECSTATE WASHDC 488

INFO AMEMBASSY CANBERRA

AMEMBASSY JAKARTA

AMEMBASSY SINGAPORE

AMEMBASSY KUALA LUMPUR

AMEMBASSY MANILA

AMCONSUL SYDNEY

UNCLAS SECTION 1 OF 2 PORT MORESBY 0407

E.O. 11652: NA

TAGS: EINV, PP

SUBJ: FIRST NATIONAL INVESTMENT PRIORITIES SCHEDULE
INTRODUCED

REF: PORT MORESBY 440 DATED DEC. 20, 1974

1. SUMMARY: THE FIRST PNG INVESTMENT PRIORITIES SCHEDULE
WAS PUBLISHED IN THE POST COURIER APRIL 23, 1975. THE
SCHEDULE SPECIFIES THE PARTICULAR ACTIVITIES IN WHICH
FOREIGN INVESTMENT IS PRESENTLY BEING SOUGHT BY GPNG.
GUIDELINES AND MINIMUM TERMS AND CONDITIONS FOR INVOLVEMENT
IN EACH CATEGORY OF ACTIVITIES ARE ALSO DETAILED. FINALLY,
A RESERVED LIST SPECIFIES THOSE ACTIVITIES WHICH ARE
RESERVED FOR PAPUA ANEW GUINEAN INVESTMENT. EXISTING
FOREIGN ENTERPRISES MAY CONTINUE OPERATING IN AREAS ON
THE RESERVED LIST, BUT MAY NOT EXPAND THEIR OPERATIONS
BEYOND NORMAL SALES GROWTH WITHOUT GPNG APPROVAL END
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SUMMARY.

2. THE FIRST PNG INVESTMENT PRIORITIES SCHEDULE WAS PRESENTED THREE WEEKS LATE ON APRIL 23, 1975. THE DOCUMENT IS MULTI-PURPOSE INTENDING TO: 1) MAKE CLEAR THE GPNG S INTENTIONS AND ATTITUDE TOWARDS FOREIGN INVESTMENT: 2) CLARIFY FOR MANY DIFFERENT AGENCIES OR GOVERNMENT WHICH PROJECTS ARE PRESENTLY ACCEPTABLE FOR FOREIGN INVESTMENT AND WHICH ARE NOT: 3) GIVE DIRECT CONTROL TO THE GOVERNMENT OF ENTRY OF FOREIGN INVESTMENT INTO PNG.

3. AREAS OPEN TO FOREIGN INVESTMENT ARE: MANUFACTURING, FISHING, FORESTS, EXPLORING FOR AND EXTRACTION OF MINERALS AND NATURAL HYDROCARBONS, LARGE SCALE CONSTRUCTION, AND CERTAIN PROFESSIONAL SERVICES, WITH NO LIMITATION ON INVESTMENT, AND MINOR ACTIVITIES INVOLVING A CAPITAL INVESTMENT OF LESS THAN K75,000.

4. GUIDELINES AND MINIMUM CONDITIONS INCLUDE: 1) AGREEMENT TO COMPLY WITH ALL LAWS OF PNG: 2) PERMIT GOVERNMENT OR LOCAL EQUITY PARTICIPATION TO THE "EXTENT DETERMINED TO BE PRACTICAL AND APPROPRIATE": 3) TRAINING OF PAPUA NEW GUINEANS FOR ALL LEVELS OF EMPLOYMENT UNDER "A SPECIFIC PROGRAM APPROVED BY THE GOVERNMENT": 4) UTILIZATION OF SUPPLY AND SERVICES WITHIN PNG: 5) OPERATING WITHIN APPROVED ENVIRONMENTAL GUIDELINES: 6) PROVIDING CAPITAL REQUIREMENTS TO MAXIMUM EXTENT POSSIBLE FROM OUTSIDE PNG: AND 7) ABIDING BY ANY ADDITIONAL "TERMS AND CONDITIONS" IMPOSED BY THE GPNG AS A CONDITION FOR REGISTRATION WITH NATIONAL INVESTMENT AND DEVELOPMENT AUTHORITY (NIDA).

5. AGREEMENTS WILL GENERALLY BE BETWEEN THE GOVERNMENT AND INVESTOR AND WILL NOT BE APPROVED BY AN ACT OF THE HOUSE OF ASSEMBLY. IN THE APPRAISAL OF INVESTMENT PROJECTS, A COMPANY S RECORD OF EMPLOYER/EMPLOYEE RELATIONSHIPS IN OTHER COUNTRIES WILL BE TAKEN INTO ACCOUNT, AND THE TECHNOLOGY UTILIZED IS EXPECTED TO BE THE "MOST LABOR-INTENSIVE DETERMINED TO BE ECONOMICALLY FEASIBLE."

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6. THE RESERVED LIST PORTION OF THE INVESTMENT PRIORITIES SCHEDULE SPECIFICIES ACTIVITIES WHICH ARE RESERVED FOR PAPUA NEW GUINEAN INVESTMENT. EVEN IN THIS LIST, PROVISIONS ARE MADE FOR NEW FOREIGN INVESTMENT WHERE PAPUA NEW GUINEANS ARE UNWILLING OR UNABLE TO UNDERTAKE THE ECONOMIC ACTIVITY. THE LIST INCLUDES SMALL MANUFACTURES SUCH AS MAKING RUBBER THONGS, PAPER CLIPS, CHALK, PLANTATION AGRICULTURE SUCH AS COPRA, SPICE AND SAGO

CULTIVATION, PIG AND SHEEP RAISING, FLOWER GROWING, AND PROCESSING OF COCOA, COPRA AND SAGO. IT ALSO INCLUDES RUNNING OF TAVERNS, REFRESHMENT STANDS, COFFEE AND SANDWICH SHOPS, BUS TRANSPORTATION, AMUSEMENT PARLORS, AND LONG DISTANCE TRUCKING BUSINESSES OPERATING TRUCKS UNDER EIGHT TONS. IT IS CLEARLY INTENDED TO ENCOURAGE SMALL SCALE LOCAL BUSINESSMEN IN AREAS WHICH TODAY ARE PREDOMINANTLY CONTROLLED BY EXPATRIATES.

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7. COMMENT: THE INVESTMENT PRIORITIES SCHEDULE WILL BE REVIEWED AND UPDATED ANNUALLY. ACCORDING TO NIDA OFFICIALS IT WAS DIFFICULT IN OBTAINING ENOUGH AGREEMENT FROM VARIOUS DEPARTMENTS TO FORMULATE THE FIRST LIST. THIS RESULTED IN A DELAY, BUT THE UPSHOT SHOULD BE BENEFICIAL IN THAT INVESTORS SHOULD NOW HAVE A MUCH CLEARER IDEA OF THE DIRECTION IN WHICH THE GOVERNMENT IS MOVING. THERE WERE NO SURPRISES IN THE PRIORITIES LIST. SOME BUSINESSMEN BELIEVE THE PROCESS OF "LOCALIZATION" OR INTENT OF THE GPNG TO HAVE PNG NATIONALS TRAINED

WITHIN SPECIFIED TIMES WILL BE DIFFICULT IF NOT IMPOSSIBLE TO ACHIEVE IN CERTAIN AREAS. HOWEVER, THE GOVERNMENT HAS PROVED IN THE PAST TO BE PRAGMATIC AND WE EXPECT IT WILL ADJUST GUIDELINES TO REALITIES IF CHANGES ARE NEEDED.

8. THE RESERVED LIST HELD NO SURPRISES EITHER. THE HANDWRITING IS ON THE WALL AND MANY OF THE SMALL UNCLASSIFIED

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EXPATRIATE ENTERPRISES FALLING INTO CATEGORIES COVERED BY THE RESERVED LIST EXPECT TO SEE MOUNTING PRESSURE FOR THEM TO TAKE IN PNG INVESTORS WHO CAN ONE DAY OPERATE THESE ENTERPRISES THEMSELVES. THE RESERVED LIST COVERS AREAS IN WHICH PNG NATIONALS CAN PERFORM EFFECTIVELY AND WHICH ARE ALSO HIGH VISIBILITY ENTERPRISES. WHILE EXISTING ENTERPRISES ARE EXEMPT FROM THE RESERVE LIST, WE BELIEVE THAT WITHIN THREE TO FIVE YEARS MANY OF THOSE PRESENTLY OWNED BY EXPATRIATES WILL BE TRANSFERRED TO PAPUA NEW GUINEAN OWNERSHIP.

9. THE GOVERNMENT HAS BEEN VERY PRAGMATIC AND SHOWS THAT IT WELCOMES FOREIGN INVESTMENT UNDER VERY DEFINITE CONDITIONS. IT DOES NOT, HOWEVER, WELCOME "WINDFALL" PROFITS IN THE HYDROCARBON AND MINERALS AREAS AND WILL CONTINUE TO EXERCISE CLOSE CONTROL OVER PNG NATURAL RESOURCES. CAPITAL IS NEEDED AND WELCOMED UNDER CONDITIONS THAT NOW ARE LARGELY CLEARLY DELINEATED. THE STICKING POINT REMAINS, OF COURSE, THE DEGREE OF PROFITABILITY ACCEPTED BY THE GPNG AND THE FOREIGN INVESTORS. SMALLER ENTERPRISES, LARGELY CONTROLLED BY EXPATRIATES, UNLESS THEY BRING AN EXPERTISE OR TECHNICAL KNOWLEDGE LACKING HERE, WILL NOT CONTINUE TO BE WELCOMED. THUS A CONTINUED DIMINUTION IN SMALL EXPATRIATE OWNED BUSINESS CAN BE EXPECTED.

10. AIRGRAM FOLLOWS WITH COMPLETE INVESTMENT PRIORITIES SCHEDULE AND RESERVE LIST.
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